THINKING ELECTRONIC INDUSTRIAL CO., LTD.

Parent Company Only Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Thinking Electronic Industrial Co., Ltd.

Opinion

We have audited the accompanying parent company only financial statements of Thinking Electronic Industrial Co., Ltd. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2019 and 2018, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies (collectively referred to as the "parent company only financial statement").

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the accompanying parent company only financial position of the Company as of December 31, 2019 and 2018, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As disclosed in Note 3 to the parent company only financial statements, the Company has applied the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC starting from 2019. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Company's parent company only financial statements for the year ended December 31, 2019 is discussed as follows:

Revenue Recognition from Consignment Sales

As disclosed in Note 4 to the parent company only financial statements regarding accounting policy on revenue recognition, consignment is one of the important sales model of the Company. Due to the multiple locations of warehouses and different logistics and accounting management of each warehouse, the Company has to regularly inspect the actual consumption of consignment stock to recognize sales. As a result, the difficulty in applying proper accounting treatment could lead to an increased risk of possible misstatements. We focused on whether the risks and rewards of goods had been transferred to the buyer after the consignment process to confirm the occurrence of the Company's sales revenue in the correct accounting period.

Our main audit procedures performed in response to the above key audit matter included the following:

1. We acquired the list of warehouses belonged to the Company, selected samples to understand the operations management of each warehouse, observed the sampling of consignment stock at the end of the year and performed stocktaking procedure.

2. We sample tested the consignment sales and tested the operating effectiveness of control activities related to logistics management and accounting treatments.

3. We verified the occurrence and cutoff of revenue recognition from consignment sales by examining actual consumption records, invoices, shipping orders and goods return documents.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Jia-Ling Chiang and Chiu-Yen Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2020

<u>*Notice to Readers*</u>

The accompanying parent company only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	December 31, 2019		December 31, 2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 851,095	10	$ 901,870	11
Financial assets at amortized cost - current (Notes 4 and 7)	25,000	-	-	-
Notes receivable (Note 9)	4,966	-	6,531	-
Accounts receivable, net (Notes 4, 5 and 9)	779,439	9	871,774	11
Accounts receivable - related parties (Notes 9 and 27)	184,885	2	124,486	2
Other receivables	2,999	-	2,728	-
Other receivable - related parties (Note 27)	426	-	45,240	1
Inventories (Notes 4, 5 and 10)	321,261	4	406,636	5
Other current assets	32,897	1	16,124	-
Total current assets	2,202,968	26	2,375,389	30
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	26,918	-	27,178	-
Investments accounted for using the equity method (Notes 4 and 20)	5,397,746	64	4,920,689	62
Property, plant and equipment (Notes 4, 13, 27 and 29)	544,596	7	527,117	7
Right-of-use assets (Notes 3, 4 and 14)	58,351	1	-	-
Other intangible assets (Note 4)	30,795	1	33,924	-
Deferred tax assets (Notes 4 and 23)	103,763	1	56,320	1
Prepayments for equipment	16,664	-	19,890	-
Refundable deposits	53	-	53	-
Net defined benefit assets - non-current (Notes 4 and 19)	5,884	-	-	-
Other financial assets - non-current (Notes 11 and 28)	28,800	-	-	-
Total non-current assets	6,213,570	74	5,585,171	70
TOTAL	$ 8,416,538	100	$ 7,960,560	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	$ 100,000	1	$ -	-
Accounts payable (Note 16)	57,279	1	66,795	1
Accounts payable - related parties (Note 27)	351,066	4	469,069	6
Other payables (Note 17)	209,269	2	215,476	3
Other payables - related parties (Note 27)	293,409	3	301,814	4
Current tax liabilities (Notes 4 and 23)	71,912	1	92,777	1
Lease liabilities - current (Notes 3, 4 and 14)	1,525	-	-	-
Long-term borrowings - current portion (Note 15)	-	-	50,000	1
Refund liabilities (Notes 4 and 18)	47,717	1	32,836	-
Other current liabilities	1,980	-	2,999	-
Total current liabilities	1,134,157	13	1,231,766	16
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 15)	-	-	100,000	1
Deferred tax liabilities (Notes 4 and 23)	853,862	10	711,709	9
Lease liabilities - non-current (Notes 3, 4 and 14)	56,996	1	-	-
Net defined benefit liabilities (Notes 4 and 19)	-	-	1,131	-
Guarantee deposits received	130	-	120	-
Total non-current liabilities	910,988	11	812,960	10
Total liabilities	2,045,145	24	2,044,726	26
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 20)				
Ordinary shares	1,281,127	15	1,281,127	16
Capital surplus	348,263	4	348,263	4
Retained earnings				
Legal reserve	908,264	11	809,987	10
Special reserve	107,627	1	38,365	-
Unappropriated earnings	4,010,767	48	3,545,719	45
Total retained earnings	5,026,658	60	4,394,071	55
Other equity	(284,655)	(3)	(107,627)	(1)
Total equity	6,371,393	76	5,915,834	74
TOTAL	$ 8,416,538	100	$ 7,960,560	100

The accompanying notes are an integral part of the parent company only financial statements.

(With Deloitte & Touche auditors' report dated March 23, 2020)

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Net Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 21 and 27)				
Sales	$ 3,187,620	102	$ 3,408,497	102
Less: Sales returns and allowances	49,772	2	51,819	2
Operating revenue, net	3,137,848	100	3,356,678	100
OPERATING COSTS (Notes 10, 22 and 27)	2,085,057	67	2,315,974	69
GROSS PROFIT	1,052,791	33	1,040,704	31
UNREALIZD GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Notes 4 and 27)	(3,748)	-	(17,477)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 4)	17,477	1	13,431	-
REALIZED GROSS PROFIT	1,066,520	34	1,036,658	31
OPERATING EXPENSES (Notes 4, 9, 22 and 27)				
Selling and marketing	104,074	3	108,090	3
General and administrative	155,502	5	153,015	5
Research and development	103,092	3	85,867	3
Expected credit loss	427	-	2,455	-
Total operating expenses	363,095	11	349,427	11
PROFIT FROM OPERATIONS	703,425	23	687,231	20
NON-OPERATING INCOME AND EXPENSES (Notes 10, 22 and 27)				
Other income	21,324	1	18,958	1
Other gains and losses	(19,425)	(1)	23,052	1
Finance costs	(1,729)	-	(1,788)	-
Share of profits of subsidiaries	696,852	22	647,714	19
Total non-operating income and expenses	697,022	22	687,936	21
PROFIT BEFORE INCOME TAX	1,400,447	45	1,375,167	41
INCOME TAX EXPENSE (Notes 4 and 23)	284,457	9	392,401	12
NET PROFIT	1,115,990	36	982,766	29

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THINKING ELECTRONIC INDUSTRIAL CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Net Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 20 and 23)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ 3,737	-	$ (965)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(260)	-	14	-
Share of the other comprehensive income (loss) of subsidiaries accounted for using the equity method	435	-	(575)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(747)	-	575	-
	3,165	-	(951)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(166,285)	(5)	84,436	2
Share of the other comprehensive loss of subsidiaries accounted for using the equity method	(54,675)	(2)	(172,458)	(5)
Income tax relating to items that may be reclassified subsequently to profit or loss	44,192	1	18,746	1
	(176,768)	(6)	(69,276)	(2)
Other comprehensive loss for the year, net of income tax	(173,603)	(6)	(70,227)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 942,387	30	$ 912,539	27
EARNING PER SHARE (Note 24)				
Basic	$ 8.71		$ 7.67	
Diluted	$ 8.67		$ 7.63	

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

(With Deloitte & Touche auditors’ report dated March 23, 2020)

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

			Retained				Other Equity				
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total Retained	Exchange Differences on Translating Foreign Operations	Unrealized Loss on Available -for-sale Financial Assets	Unrealized Loss on Financial Assets at Fair Value Through Other Comprehensive Income	Total Other Equity	Total Equity
BALANCE, JANUARY 1, 2018	$ 1,281,127	$ 348,263	$ 701,534	$ 2,183	$ 3,221,004	$ 3,924,721	$ (31,587)	$ (6,778)	$ -	$ (38,365)	$ 5,515,746
Effect of retrospective application	-	-	-	-	-	-	-	6,778	(6,778)	-	-
BALANCE, JANUARY 1, 2018 AS ADJUSTED	1,281,127	348,263	701,534	2,183	3,221,004	3,924,721	(31,587)	-	(6,778)	(38,365)	5,515,746
Appropriation of 2017 earnings (Note 20)											
Legal reserve	-	-	108,453	-	(108,453)	-	-	-	-	-	-
Special reserve	-	-	-	36,182	(36,182)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(512,451)	(512,451)	-	-	-	-	(512,451)
	-	-	108,453	36,182	(657,086)	(512,451)	-	-	-	-	(512,451)
Net profit in 2018	-	-	-	-	982,766	982,766	-	-	-	-	982,766
Other comprehensive income (loss) in 2018, net of income tax	-	-	-	-	(965)	(965)	(69,276)	-	14	(69,262)	(70,227)
Total comprehensive income (loss) in 2018	-	-	-	-	981,801	981,801	(69,276)	-	14	(69,262)	912,539
BALANCE, DECEMBER 31, 2018	1,281,127	348,263	809,987	38,365	3,545,719	4,394,071	(100,863)	-	(6,764)	(107,627)	5,915,834
Appropriation of 2018 earnings (Note 20)											
Legal reserve	-	-	98,277	-	(98,277)	-	-	-	-	-	-
Special reserve	-	-	-	69,262	(69,262)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(486,828)	(486,828)	-	-	-	-	(486,828)
	-	-	98,277	69,262	(654,367)	(486,828)	-	-	-	-	(486,828)
Net profit in 2019	-	-	-	-	1,115,990	1,115,990	-	-	-	-	1,115,990
Other comprehensive income (loss) in 2019, net of income tax	-	-	-	-	3,425	3,425	(176,768)	-	(260)	(177,028)	(173,603)
Total comprehensive income (loss) in 2019	-	-	-	-	1,119,415	1,119,415	(176,768)	-	(260)	(177,028)	942,387
BALANCE, DECEMBER 31, 2019	$ 1,281,127	$ 348,263	$ 908,264	$ 107,627	$ 4,010,767	$ 5,026,658	$ (277,631)	$ -	$ (7,024)	$ (284,655)	$ 6,371,393

The accompanying notes are an integral part of the parent company only financial statements.

(With Deloitte & Touche auditors' report dated March 23, 2020)

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 1,400,447	$ 1,375,167
Adjustments for:		
Depreciation expense	64,120	55,417
Amortization expense	6,709	2,474
Expected credit loss	427	2,455
Finance costs	1,729	1,788
Interest income	(11,846)	(10,775)
Share of profit of subsidiaries	(696,852)	(647,714)
Loss (gain) on disposal of property, plant and equipment, net	86	(32)
Loss on inventories	14,922	23,675
Unrealized gain on transactions with subsidiaries	3,748	17,477
Realized gain on transactions with subsidiaries	(17,477)	(13,431)
Recognition of provisions	24,000	24,000
Other non-cash items	(31)	(3,523)
Changes in operating assets and liabilities		
Notes receivable	1,565	(524)
Accounts receivable	91,908	26,424
Accounts receivable - related parties	(60,399)	17,492
Other receivables	(29)	387
Inventories	70,453	(194,915)
Other current assets	(16,773)	12,855
Net defined benefit assets	(3,278)	-
Accounts payable	(9,516)	(8,864)
Accounts payable - related parties	(118,003)	181,909
Other payables	484	23,206
Other payables - related parties	(8,405)	262,436
Other current liabilities	(1,019)	1,588
Net defined benefit liabilities	-	(4,464)
Refund liabilities	(9,119)	(13,840)
Cash generated from operations	727,851	1,130,668
Interest received	11,604	10,682
Interest paid	(1,846)	(1,788)
Income tax paid	(167,167)	(212,938)
Net cash generated from operating activities	570,442	926,624
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	(25,000)	-
Acquisition of investment accounted for the using the equity method	-	(76,682)
Net cash inflow on disposal of investment accounted for using the equity method	13,030	-
Acquisition of property, plant and equipment	(83,486)	(100,964)
Proceeds from disposal of property, plant and equipment	12	43
Decrease (increase) in other receivables - related parties	44,814	(41,708)

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THINKING ELECTRONIC INDUSTRIAL CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
Payment for intangible assets	$ (3,580)	$ (17,832)
Increase in other financial assets	(28,800)	-
Dividends received from subsidiaries	-	73,289
Net cash used in investing activities	(83,010)	(163,854)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	255,000	-
Repayments of short-term borrowings	(155,000)	-
Repayments of long-term borrowings	(150,000)	-
Refund of guarantee deposits received	10	-
Repayments of the principal portion of lease liabilities	(1,389)	-
Cash dividends paid	(486,828)	(512,451)
Net cash used in financing activities	(538,207)	(512,451)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(50,775)	250,319
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	901,870	651,551
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 851,095	$ 901,870

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

(With Deloitte & Touche auditors' report dated March 23, 2020)

1. GENERAL INFORMATION

Thinking electronic Industrial Co., Ltd. (the "Company") was incorporated in July 1979. The Company mainly manufactures, processes and sells electric devices, thermistors, varistors and wires.

The Company's shares have been listed on the Taiwan Stock Exchange since September 2000.

The parent company only financial statements are presented in the Company's functional currency, the New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the board of directors on March 23, 2020.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company's accounting policies:

   IFRS 16 "Leases"

   IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

   1) Definition of a lease

      The Company elects to apply IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not be reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

   2) The Company as lessee

      The Company recognizes right-of-use assets and lease liabilities for all leases on the parent company only balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the parent company only statements of comprehensive income, the Company presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the parent company only statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the parent company only statements of cash flows.

The Company elected to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information was not restated.

Lease liabilities will be recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, the Company applies IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

a) The Company accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

b) The Company excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

c) The Company uses hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 1.07%. The difference between the lease liabilities recognized and operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 12,194
Less: Recognition exemption for short-term leases	487
Less: Recognition exemption for leases of low-value assets	237
Undiscounted amounts on January 1, 2019	$ 11,470
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 11,342
Add: Adjustments as a result of a different treatment of extending the main plants' useful lives	17,369
Lease liabilities recognized on January 1, 2019	$ 28,711

3) The Company as lessor

The Company does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

4) The impact on assets and liabilities as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Total effect on assets	$ -	$ 28,711	$ 28,711
Lease liabilities - current	$ -	$ 1,307	$ 1,307
Lease liabilities - non-current	-	27,404	27,404
Total effect on liabilities	$ -	$ 28,711	$ 28,711

b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the parent company only financial statements were authorized for issue, the Company assessed there was no significant impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

Note: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

As of the date the parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined liabilities (assets) which are measured at the present value of the defined benefit obligation fair value of plan asset less the fair value of plan assets (present value of the defined benefit obligation).

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

The subsidiaries are incorporated in the parent company only financial statements under the equity method. To make net profit for the year, other comprehensive income and equity in the parent company only financial statements equal to those attributed to owners of the Company on consolidated financial statements, the effect of the differences between basis of parent company only and basis of consolidation are adjusted in the investments accounted for using the equity method, the related share of the profit or loss, the related share of other comprehensive income of subsidiaries and related equity.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period

and before the parent company only financial statements are authorized for issue; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the parent company only financial statements, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purposes of presenting parent company only financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting year; and income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of merchandises, finished goods, work-in-process, raw materials and supplies and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost.

f. Investments accounted for using the equity method

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant, and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Freehold land is not depreciated.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting year, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Impairment of tangible and intangible assets

At the end of each reporting year, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to individual cash-generating units or the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when an entity in the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: Financial assets at amortized cost, and investments in equity instruments at FVTOCI.

i Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable, accounts receivable, other receivables, and refundable deposits are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

A financial asset is credit impaired when one or more of the following events have occurred:

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

ii Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Company always recognizes lifetime expected credit losses (ECLs) for accounts receivable. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

i Internal or external information show that the debtor is unlikely to pay its creditors.

ii When a financial asset is more than 180 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

The Company’s financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

k. Revenue recognition

The Company identifies contracts with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

Revenue from sale of goods comes from sales of thermistors and varistors. Sales of thermistors and varistors are recognized as revenue when the goods are shipped or delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Accounts receivable are recognized concurrently.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

Refund liabilities are based on the historical experience and different contract items to estimate the probable sales returns and allowance.

m. Leases

<u>2019</u>

When the Company is lessee, the Company assesses whether the contract is, or contains, a lease at the inception of a contract.

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the parent company only balance sheets.

<u>2018</u>

When the Company is lessee, leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The operating lease payments are recognized as an expense on a straight-line basis over the lease term.

m. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in other equity and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plan.

n. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax on unappropriated earnings is provided in the year the stockholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised if the revisions affect only that year or in the year of the revisions and future years if the revisions affect both current and future years.

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand	$ 573	$ 780
Checking accounts	75	75
Demand deposits	525,652	610,544
Cash equivalents		
Time deposits with original maturities less than 3 months	324,795	290,471
	$ 851,095	$ 901,870

a. The market rate intervals of cash equivalents at the end of the years were as follows:

	December 31	
	2019	2018
Time deposits (%)	3.00-3.30	0.60-3.60

b. The Company transacted with a variety of financial institutions with high credit quality to disperse credit risk, hence, there was no expected credit loss.

7. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT - ONLY FOR DECEMBER 31, 2019

The market rate interval of time deposits with original maturities of more than 3 months was 0.65% per annum as of December 31, 2019.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	December 31	
	2019	2018
Investments in equity instruments at FVTOCI		
Domestic unlisted shares	$ 26,918	$ 27,178

These investments in equity instruments are not held for trading or for short-term gains. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

9. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2019	2018
Notes receivable - operating		
At amortized cost		
Gross carrying amount	$ 4,966	$ 6,531

(Continued)

	December 31	
	2019	2018
Accounts receivable - operating		
At amortized cost		
Gross carrying amount	$ 796,373	$ 888,281
Less: Allowance for impairment loss	16,934	16,507
	$ 779,439	$ 871,774
Accounts receivable - operating		
At amortized cost		
Related parties (Note 27)	$ 184,885	$ 124,486

(Concluded)

Refer to Note 26 for information related to credit management policy.

The Company measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date.

The Company writes off accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

There were no notes receivable that were past due and not impaired at the end of the reporting years.

The following table details the loss allowance of accounts receivable (including related parties) based on the Company's provision matrix.

December 31, 2019

	Not Past Due	Past Due 1to 30 Days	Past Due 31 to 60 Days	Past Due 61 to 90 Days	Past Due 91 to 180 Days	Past Due Over 180 Days	Total
Expected credit loss rate (%)	0-0.05	0.5	1	30	50	100	
Gross carrying amount	$ 935,421	$ 14,014	$ 12,992	$ 115	$ 4,845	$ 13,871	$ 981,258
Loss allowance (Lifetime ECLs)	(406)	(70)	(130)	(35)	(2,422)	(13,871)	(16,934)
Amortized cost	$ 935,015	$ 13,944	$ 12,862	$ 80	$ 2,423	$ -	$ 964,324

December 31, 2018

	Not Past Due	Past Due 1to 30 Days	Past Due 31 to 60 Days	Past Due 61 to 90 Days	Past Due 91 to 180 Days	Past Due Over 180 Days	Total
Expected credit loss rate (%)	0-0.05	0.5	1	30	50	100	
Gross carrying amount	$ 928,611	$ 24,140	$ 41,123	$ 4,073	$ 980	$ 13,840	$ 1,012,767
Loss allowance (Lifetime ECLs)	(423)	(121)	(411)	(1,222)	(490)	(13,840)	(16,507)
Amortized cost	$ 928,188	$ 24,019	$ 40,712	$ 2,851	$ 490	$ -	$ 996,260

The movements of the loss allowance of accounts receivable were as follows:

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 16,507	$ 14,052
Add: Net remeasurement of loss allowance	427	2,455
Balance at December 31	$ 16,934	$ 16,507

10. INVENTORIES

	December 31	
	2019	2018
Merchandises	$ 702	$ 1,866
Finished goods	194,938	248,177
Work-in-process	69,105	88,583
Raw materials	45,582	60,891
Supplies	2,821	4,087
Inventory in transit	8,113	3,032
	$ 321,261	$ 406,636

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was $2,085,057 thousand and $2,315,974 thousand, respectively, which included the following items:

	For the Year Ended December 31	
	2019	2018
Write-off obsolete inventories	$ 25,123	$ 9,235
Inventory write-downs (reversed)	(10,201)	14,440
	$ 14,922	$ 23,675

11. OTHER FINANCIAL ASSETS - ONLY FOR DECEMBER 31, 2019

The market rate of pledge time deposits was 0.82% as of December 31, 2019.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2019	2018
Not listed (cabinet) company		
Thinking (Changzhou)Electronic Co., Ltd. (Thinking Changzhou)	$ 1,652,969	$ 1,531,123
Greenish Co., Ltd. (Greenish)	1,742,627	1,622,211
Thinking Holding (Cayman) Co., Ltd. (Thinking Holding)	1,847,773	1,600,679
Welljet Hong Kong Ltd. (Welljet)	-	2,531
Saint East Co., Ltd (Saint East)	-	9,397
Yenyo Technology Co., Ltd. (Yenyo)	154,377	154,748
	$ 5,397,746	$ 4,920,689

	Proportion of Ownership and Voting Rights	
	December 31	
	2019	2018
Thinking Changzhou	47.39%	47.39%
Greenish	100.00%	100.00%
Thinking Holding	100.00%	100.00%
Welljet	-	0.01%
Saint East	-	100.00%
Yenyo	52.61%	52.61%

Investment detail information refer to Table 6 “Information on Investees” and Table 7 “Information on Investments in Mainland China”, and was summarized as follows:

a. In September 2017, the board of directors of Thinking Changzhou decided to distribute share of profit $506,128 thousand (RMB111,025 thousand). After tax deduction of $41,574 thousand, the net amount of dividends was $73,289 thousand and $300,874 thousand for the years ended December 31, 2018 and 2017, respectively. Furthermore, the remaining amount of $90,391 thousand was distributed to Greenish. For the purpose of further investment plans, the resolution of the board of directors was not to distribute dividends. The repatriation of the investment dividends had been approved by the Investment Establishment Committee of the Ministry of Economic Affairs.

b. The Company resolved in the board directors’ meeting in April 2018 to liquidate and dissolve Guangdong Thinking which was invested by Thinking Samoa with 100% ownership for coordination of marketing supply and reintegration of the Company. The Company completed the liquidation process in December 2018.

c. The Company resolved in the board of directors’ meeting in May 2019 to liquidate and dissolve Saint East and Welljet for coordination of marketing supply and reintegration of the Company. The Company completed the liquidation process in September 2019 and October 2019, respectively.

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2019 and 2018 were recognized based on the subsidiaries’ financial statements which have been audited.

13. PROPERTY, PLANT, AND EQUIPMENT

For the Year ended December 31, 2019

	Land	Buildings	Machinery and Equipment	Leasehold Improvements	Others	Property under Constraction	Total
Cost							
Balance at January 1, 2019	$ 142,020	$ 206,681	$ 499,870	$ 1,514	$ 179,462	$ -	$ 1,029,547
Additions	-	1,697	43,363	-	12,492	22,685	80,237
Disposals	-	-	(14,481)	-	(387)	-	(14,868)
Balance at December 31, 2019	$ 142,020	$ 208,378	$ 528,752	$ 1,514	$ 191,567	$ 22,685	$ 1,094,916
Accumulated depreciation							
Balance at January 1, 2019	$ -	$ 72,654	$ 319,852	$ 1,368	$ 108,556	$ -	$ 502,430
Depreciation expenses	-	5,523	35,322	27	21,788	-	62,660
Disposals	-	-	(14,383)	-	(387)	-	(14,770)
Balance at December 31, 2019	$ -	$ 78,177	$ 340,791	$ 1,395	$ 129,957	$ -	$ 550,320
Carrying amounts at December 31, 2019	$ 142,020	$ 130,201	$ 187,961	$ 119	$ 61,610	$ 22,685	$ 544,596

For the Year ended December 31, 2018

	Land	Buildings	Machinery and Equipment	Leasehold Improvements	Others	Property under Constraction	Total
Cost							
Balance at January 1, 2018	$ 142,020	$ 202,796	$ 407,820	$ 1,514	$ 170,478	$ -	$ 924,628
Additions	-	1,715	93,553	-	16,753	-	112,021
Disposals	-	-	(1,650)	-	(5,452)	-	(7,102)
Reclassification	-	2,170	147	-	(2,317)	-	-
Balance at December 31, 2018	$ 142,020	$ 206,681	$ 499,870	$ 1,514	$ 179,462	$ -	$ 1,029,547
Accumulated depreciation							
Balance at January 1, 2018	$ -	$ 65,929	$ 291,954	$ 1,342	$ 94,879	$ -	$ 454,104
Depreciation expenses	-	6,389	29,523	26	19,479	-	55,417
Disposals	-	-	(1,649)	-	(5,442)	-	(7,091)
Reclassification	-	336	24	-	(360)	-	-
Balance at December 31, 2018	$ -	$ 72,654	$ 319,852	$ 1,368	$ 108,556	$ -	$ 502,430
Carrying amounts at December 31, 2018	$ 142,020	$ 134,027	$ 180,018	$ 146	$ 70,906	$ -	$ 527,117

Depreciation is provided on a straight-line basis over the estimated useful lives as follows:

Buildings	
Main plants	60 years
Improvement engineering	60 years
Machinery and equipment	8 years
Leasehold improvement	10 years
Others	5-6 years

14. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Land	$ 58,351

	For the Year Ended December 31, 2019
Additions to right-of-use assets - land	$ 31,199
Depreciation charge for right-of-use assets - land	$ 1,559

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 1,525
Non-current	$ 56,996

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Land	0.75-1.38

c. Material lease-in activities and terms

The Company leases land and buildings for the use of plants and offices with lease terms of 9 to 10 years. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease periods. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information - 2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 559
Expenses relating to low-value asset leases	$ 438
Total cash outflow for leases	$ 2,795

15. BORROWINGS

a. Short-term borrowings - 2019

The nature of short-term borrowings was unsecured with annual interest rate of 0.9% as of December 31.

b. Long-term borrowings (include borrowings due in one year) - 2018

The long-term borrowing was unsecured and early reimbursed in 2019 with the annual interest rate of 1.15% as of December 31, 2018.

16. ACCOUNTS PAYABLE

The Company's accounts payable were from operating activities and were not secured by collaterals.

The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms, therefore, no interest was charged on the outstanding accounts payable.

17. OTHER PAYABLES

	December 31	
	2019	2018
Payable for salaries and bonuses	$ 101,877	$ 93,562
Payable for employees' compensation	44,100	38,000
Payable for remuneration of directors	17,900	16,200

(Continued)

	December 31	
	2019	2018
Payable for purchase of equipment	$ 11,293	$ 17,867
Others	34,099	49,847
	$ 209,269	$ 215,476

(Concluded)

18. REFUND LIABILITIES

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 32,836	$ 22,676
Recognized	24,000	24,000
Usage	(9,119)	(13,840)
Balance at December 31	$ 47,717	$ 32,836

The discount on refund liabilities was based on historical experience, management's judgments and other known reasons to estimate sales compensation and offset refund liability when compensation actually occurs.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute specific percentage of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the parent company only balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2019	2018
Present value of defined benefit obligation	$ 86,681	$ 88,339
Fair value of plan assets	(92,565)	(86,830)
Deficit (surplus)	(5,884)	1,509
Classified under other payables	-	(378)
Net defined benefit liabilities (assets)	$ (5,884)	$ 1,131

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2018	$ 85,123	$ (80,113)	$ 5,010
Service cost			
Current service cost	224	-	224
Net interest expense (income)	1,015	(985)	30
Recognized in profit or loss	1,239	(985)	254
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,192)	(2,192)
Actuarial loss - changes in financial assumptions	1,167	-	1,167
Actuarial loss - experience adjustments	1,990	-	1,990
Recognized in other comprehensive income	3,157	(2,192)	965
Contributions from the employer	-	(4,720)	(4,720)
Benefits paid	(1,180)	1,180	-
Balance at December 31, 2018 (including $378 thousand of other payables)	88,339	(86,830)	1,509
Service cost			
Current service cost	137	-	137
Net interest expense (income)	879	(887)	(8)
Recognized in profit or loss	1,016	(887)	129
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,008)	(3,008)
Actuarial loss - experience adjustments	(729)	-	(729)
Recognized in other comprehensive income	(729)	(3,008)	(3,737)
Contributions from the employer	-	(3,785)	(3,785)
Benefits paid	(1,945)	1,945	-
Balance at December 31, 2019	$ 86,681	$ (92,565)	$ (5,884)

Through the defined benefit plans under the Labor Standards Law, the Company and Yenyo are exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2019	**2018**
Discount rate (%)	1.00	1.20
Expected rate of salary increase (%)	2.00	2.00

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2019	**2018**
Discount rate		
0.25% increase	$ (1,281)	$ (1,454)
0.25% decrease	$ 1,324	$ 1,502
Expected rate of salary increase		
1% increase	$ 5,450	$ 6,189
1% decrease	$ (4,892)	$ (5,547)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2019	2018
The expected contributions to the plan for the next year	$ 3,500	$ 4,730
The average duration of the defined benefit obligation (years)	10	10

20. EQUITY

a. Ordinary shares

	December 31	
	2019	2018
Number of shares authorized (in thousands)	140,000	140,000
Shares authorized	$ 1,400,000	$ 1,400,000
Number of shares issued and fully paid (in thousands)	128,113	128,113
Shares issued	$ 1,281,127	$ 1,281,127

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

b. Capital Surplus

	December 31	
	2019	2018
May be used to offset a deficit, distributed as cash dividends, or transferred to ordinary shares (Note)		
Conversion of bonds	$ 265,446	$ 265,446
Issuance of ordinary shares	59,168	59,168
Treasury share transactions	23,649	23,649
	$ 348,263	$ 348,263

Note: The capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to ordinary shares (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained Earnings and Dividend Policy

Under the dividends policy in the Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonuses to stockholders.

The Company's dividend policy is also designed to meet the current and future development plans and takes into consideration the investment environment, capital needs, domestic or international competitive conditions while simultaneously meeting shareholders' interests. The Company shall distribute the dividends at no less than 30% of the distributable earnings of the current year. The way to distribute dividends could be either through cash or shares, and cash dividends shall not be less than 20% of total dividends.

Under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reservist a special reserve. Any special resume appropriated may be reserved to the extent that the net debit balance reserves and thereafter distributed.

The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2018 and 2017 were approved in the stockholders' meeting on June 21, 2019 and June 22, 2018, respectively. The appropriations of earnings for 2018 and 2017 were as follows:

	Appropriation of Earnings For the Year Ended		Dividend Per Share (NT$) For the Year Ended	
	2018	**2017**	**2018**	**2017**
Legal reserve	$ 98,277	$ 108,453		
Special reserve	69,262	36,182		
Cash dividends	486,828	512,451	$ 3.8	$ 4.0
	$ 654,367	$ 657,086		

The appropriations of earnings for 2019 had been proposed by the Company's board of directors on March 23, 2020. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividend Per Share (NT$)
Legal reserve	$ 111,942	
Special reserve	177,028	
Cash dividends	538,073	$ 4.2
	$ 827,043	

The appropriations of earnings for 2019 are subject to the resolution of the shareholders' meeting to be held on June 15, 2020.

d. Other Equity Items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1	$ (100,863)	$ (31,587)
Effect of change in tax rate	-	1,142

(Continued)

	For the Year Ended December 31	
	2019	2018
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	$ (166,285)	$ 84,436
Income tax relating to exchange differences arising on translating foreign operations	33,257	(16,888)
Share from subsidiaries accounted for using the equity method	(54,675)	(172,458)
Income tax relating to share from subsidiaries accounted for using the equity method	10,935	34,492
Balance at December 31	$ (277,631)	$ (100,863)

(Concluded)

2) Unrealized loss on financial assets at FVTOCI

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (6,764)	$ (6,778)
Recognized for the year		
Unrealized gain (loss)	(260)	14
Balance at December 31	$ (7,024)	$ (6,764)

21. OPERATING REVENUE

	For the Year Ended December 31	
	2019	2018
Revenue from contracts with customers		
Revenue from sale of goods	$ 3,137,670	$ 3,356,572
Service revenue	178	106
	$ 3,137,848	$ 3,356,678

a. Refer to Note 4 for information related to contracts with customers.

b. Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Notes and accounts receivable (Note 9)	$ 969,290	$ 1,002,791	$ 1,048,639

c. Disaggregation of revenue

Type of revenue	December 31 2019	December 31 2018
Revenue from sale of passive components	$ 3,137,670	$ 3,356,572
Service income	178	106
	$ 3,137,848	$ 3,356,678

22. NET PROFIT

Net profit included following items:

a. Other income

	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Interest income	$ 11,846	$ 10,775
Others	9,478	8,183
	$ 21,324	$ 18,958

b. Other gains and losses

	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Foreign exchange gains (losses), net	$ (19,197)	$ 22,835
Others	(228)	217
	$ (19,425)	$ 23,052

c. Finance costs

	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Interest expense of borrowings	$ 1,384	$ 1,788
Interest on lease liabilities	409	-
	1,793	1,788
Less: Amounts included in the cost of qualifying assets	(64)	-
	$ 1,729	$ 1,788

d. Depreciation and amortization

	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Property, plant and equipment	$ 62,660	$ 55,417
Right-of-use-assets	1,559	-

(Continued)

	For the Year Ended December 31	
	2019	2018
Other intangible assets	$ 6,709	$ 2,474
	70,928	57,891
Less: Amounts included in the cost of qualifying assets	(99)	-
	$ 70,829	$ 57,891
An analysis of depreciation by function		
Operating costs	$ 48,610	$ 40,852
Operating expenses	15,510	14,565
	$ 64,120	$ 55,417
An analysis of amortization by function		
Operating costs	$ 1,566	$ 957
Operating expenses	5,143	1,517
	$ 6,709	$ 2,474

(Concluded)

e. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits		
Salary	$ 316,837	$ 292,680
Others	62,902	58,444
	379,739	351,124
Post-employment benefits		
Defined contribution plans	12,352	11,411
Defined benefit plans (Note 19)	129	254
	12,481	11,665
	$ 392,220	$ 362,789
An analysis of employee benefits expense by function		
Operating costs	$ 152,554	$ 143,371
Operating expenses	239,666	219,418
	$ 392,220	$ 362,789

f. Employees’ compensation and remuneration of directors

The Company accrued employees’ compensation and remuneration of directors at rates of no less than 2% and no higher than 2%, respectively, of net profit before income tax, employees’ compensation and remuneration of directors. The appropriations of employees’ compensation and remuneration of directors for the years ended December 31, 2019 and 2018, approved by the board of directors on March 23, 2020 and March 25, 2019, respectively, were as follows:

	For the Year Ended December 31	
	2019	2018
Accrual rate		
Employees' compensation (%)	3.0	2.7
Remuneration of directors (%)	1.2	1.1
Amounts		
Employees' compensation	$ 44,100	$ 38,000
Remuneration of directors	17,900	16,200

If there is a change in the amounts after the annual parent company only financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gains and losses on foreign currency exchange

	For the Year Ended December 31	
	2019	2018
Foreign exchange gains	$ 44,836	$ 55,725
Foreign exchange losses	(64,033)	(32,890)
Net gains (losses)	$ (19,197)	$ 22,835

23. INCOME TAX

a. The major components of income tax expense are as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 131,742	$ 136,645
Income tax on unappropriated earnings	14,017	42,572
Adjustments for prior years	543	881
	146,302	180,098
Deferred tax		
In respect of the current year	138,155	129,178
Effect of change in tax rate	-	83,125
	138,155	212,303
Income tax expense recognized in profit or loss	$ 284,457	$ 392,401

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2019	2018
Profit before income tax	$ 1,400,447	$ 1,375,167
Income tax expense calculated at the statutory rate	$ 280,090	$ 275,033
Nondeductible expenses and tax-exempt income	161	(1,296)
Income tax on unappropriated earnings	14,017	42,572
Usage of investment credit	(11,225)	(9,000)
Unrecognized deductible temporary differences	871	1,086
Effect of change in tax rate	-	83,125
Adjustments for prior years' tax	543	881
Income tax expense recognized in profit or loss	$ 284,457	$ 392,401

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Company has already deducted the amount of capital expenditure from the unappropriated earnings in 2018 that was reinvested when calculating the tax on unappropriated earnings for the year ended December 2019.

b. Income tax recognized in other comprehensive income (loss)

	For the Year Ended December 31	
	2019	2018
Deferred tax		
Effect of change in tax rate	$ -	$ (1,524)
In respect of the current year		
Translation of foreign operations	(33,257)	12,929
Remeasurement on defined benefit plans	747	(193)
Share of other comprehensive income of associates	(10,935)	(30,533)
Income tax recognized in other comprehensive income	$ (43,445)	$ (19,321)

c. Current tax assets and liabilities

	December 31	
	2019	2018
Current tax liabilities		
Income tax payable	$ 71,912	$ 92,777

d. Deferred tax assets and liabilities

The movements of net of deferred tax assets and liabilities are as follows:

For the Year ended December 31, 2019

Deferred Tax Assets	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Temporary differences				
Unrealized loss on inventories	$ 11,413	$ (2,014)	$ -	$ 9,372
Unrealized gross profits	6,356	(2,493)	-	3,863
Unrealized refund liabilities	6,567	2,976	-	9,543
Share of other comprehensive loss using the equity method	4,144	-	10,935	15,079
Exchange differences on translating the financial statements of foreign operations	21,071	-	33,257	54,328
Others	6,769	5,556	(747)	11,578
	$ 56,320	$ 3,998	$ 43,445	$ 103,763

Deferred Tax Liabilities	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Temporary differences				
Foreign investment income	$ 705,127	$ 145,564	$ -	$ 850,691
Others	6,582	(3,411)	-	3,171
	$ 711,709	$ 142,153	$ -	$ 853,862

For the Year ended December 31, 2018

Deferred Tax Assets	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Temporary differences				
Unrealized loss on inventories	$ 7,246	$ 4,167	$ -	$ 11,413
Unrealized gross profits	4,491	1,865	-	6,356
Unrealized refund liabilities	3,855	2,712	-	6,567
Share of other comprehensive income using the equity method	-	-	4,144	4,144
Exchange differences on translating the financial statements of foreign operations	-	-	21,071	21,071
Others	12,591	(6,397)	575	6,769
	$ 28,183	$ 2,347	$ 25,790	$ 56,230

(Continued)

Deferred Tax Liabilities	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Temporary differences				
Foreign investment income	$ 490,347	$ 214,780	$ -	$ 705,127
Share of other comprehensive income using the equity method	22,431	-	(22,431)	-
Exchange differences on translating the financial statements of foreign operations	(28,900)	-	28,900	-
Others	6,712	(130)	-	6,582
	$ 490,590	$ 214,650	$ 6,469	$ 711,709

(Concluded)

e. Income tax assessments

The tax returns of the Company through 2017 have been assessed by the tax authorities.

24. EARNINGS PER SHARE (EPS)

The earnings and weighted average number of ordinary shares outstanding used in the computation of EPS are as follows:

Net profit for the year

	For the Year Ended December 31	
	2019	2018
Net profit used in the computation of earnings per share	$ 1,115,990	$ 982,766

Weighted average number of ordinary shares outstanding (in thousands of shares)

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares used in computation of basic EPS	128,113	128,113
Effect of potentially dilutive ordinary shares		
Employees’ compensation	553	613
Weighted average number of ordinary shares used in the computation of diluted EPS	128,666	128,726

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted EPS, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted EPS until the number of shares to be distributed to employees is resolved in the following year.

25. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stockholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from the last 2 years.

The Company is not subject to any externally imposed capital requirements.

26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The Company's management considers that the carrying amounts of financial assets and financial liabilities which are not measured at fair value approximate their fair values.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Domestic unlisted shares	$ -	$ -	$ 26,918	$ 26,918

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Domestic unlisted shares	$ -	$ -	$ 27,178	$ 27,178

There were no transfers between Level 1 and Level 2 in 2019 and 2018.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2019

	Equity Instruments Financial Assets at FVTOCI
Financial assets	
Balance at January 1, 2019	$ 27,178
Recognized in other comprehensive loss	(260)
Balanced at December 31, 2019	$ 26,918

For the year ended December 31, 2018

Financial assets	Equity Instruments Financial Assets at FVTOCI
Balance at January 1, 2018	$ 27,164
Recognized in other comprehensive income	14
Balanced at December 31, 2018	$ 27,178

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of domestic unlisted shares are determined using market approach where the inputs are categories of business, values of same type of company and operation of company.

c. Categories of financial instruments

	December 31	
	2019	**2018**
Financial assets		
Financial assets at amortized cost (Note 1)	$ 1,875,274	$ 1,950,311
Financial assets at FVTOCI - non-current	26,918	27,178
Financial liabilities		
Amortized cost (Note 2)	1,011,153	1,203,274

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties, but exclude income tax refund receivable), other financial assets and refundable deposits.

2) The balances include financial liabilities at amortized cost, which comprise short-term borrowings, accounts payable (including related parties), other payables (including related parties), long-term borrowings (including current portion) and guarantee deposits received.

d. Financial risk management objectives and policies

The Company’s treasury function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Treasury function reports quarterly to the Company’s management.

1) Market risk

The Company’s activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rate risks

a) Foreign currency risk

The Company has foreign currency sales and purchases, which exposes the Company to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities exposing to foreign currency risk at the end of the reporting year are set out in Note 30.

Sensitivity analysis

The Company is mainly exposed to the risk from the fluctuation of USD and RMB.
The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies.

A positive (negative) number below indicates an increase (decrease) in pre-tax profit associated with the functional currency. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates.

	USD Impact		**RMB Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2019	**2018**	**2019**	**2018**
Profit (loss)	$ 7,759	$ 8,384	$ 961	$ (439)

b) Interest rate risk

The interest rate risk of the Company is primarily related to its fixed interest rates of bank loans. The Company manages its interest rate risk by using interest rate swap contracts and forward interest rate contracts. Furthermore, total amount of the Company's cash and cash equivalents are considerably greater than the amount of bank loans which can process repayment procedure spontaneously. Therefore, interest rate risk does not have significant impact to the Company.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	December 31	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 324,795	$ 215,471
Financial liabilities	158,521	150,000
Cash flow interest rate risk		
Financial assets	579,452	685,544

Sensitivity analysis

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2019 and 2018 would have been higher/lower by $5,795 thousand and by $6,855 thousand, respectively, which was mainly a result of the changes in the floating interest rate financial merchandise.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation provided due to the financial guarantees provided by the Company, could be the carrying amount of the respective recognized financial assets as stated in the parent company only balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company uses other publicly available financial information and its own trading records to rate its major customers. The Company is continuously monitoring and spreading the aggregate transactions to each credit - qualified counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Company annually.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Because the Company's current assets or cash and cash equivalents are much more than current liabilities, the Company has no liquidity risk.

27. TRANSACTIONS WITH RELATED PARTIES

a. Related party name and its relationship with the Company

Related Party Name	Related Party Category
Thinking Changzhou	Subsidiaries
Thinking Yichang	Subsidiaries
Jiangxi Thinking	Subsidiaries
Greenish	Subsidiaries
Welljet	Subsidiaries (finished liquidation in October 2019)
Saint East	Subsidiaries (finished liquidation in September 2019)
Yenyo	Subsidiaries
Dongguan Welkin	Subsidiaries
Welkin Electronic Industrial Co., Ltd. (Pingtung Welkin)	Related party in substance
Boking Investment Co., Ltd. (Boking Investment)	Related party in substance

b. Operating transactions

In addition to Notes 12 and Table 1, transaction with related parties were as follows:

Sales of goods

Related Party Category/Name	For the Year Ended December 31 2019	2018
Subsidiaries		
Thinking Changzhou	$ 299,024	$ 396,585
Thinking Yichang	20,009	59,265
	$ 319,033	$ 455,857

The sale of goods to related parties was made at the cost prices or cost plus gross profit prices. The term of collection was the same as non-related parties with 90 days from the end of the month when invoice is issued.

The amounts of unrealized gain on transactions with subsidiaries were $3,748 thousand and $17,477 thousand as of December 31, 2019 and 2018, respectively, which were recognized as the deduction of investments accounted for using the equity method.

Purchases of goods

Related Party Category/Name	For the Year Ended December 31 2019	2018
Subsidiaries		
Thinking Changzhou	$ 821,814	$ 774,483
Jiangxi Thinking	240,406	318,478
Thinking Yichang	151,188	219,555
Other	-	6
	$ 1,213,408	$ 1,312,522

The purchase price with related parties was based on cost or cost plus gross profit. The prices were not comparable due to the Company has no other similar category of purchases with non-related parties. The term of collection was 90 days from the ended of the month when invoice is issued.

c. Other transactions with related parties

1) Consigned processing

Related Party Category/Name	For the Year Ended December 31 2019	2018
Subsidiaries		
Thinking Changzhou	$ 443,804	$ 546,498
Related party in substance		
Other	215	203
	$ 444,019	$ 546,701

The price and payment terms with substance related party were not comparable due to the Company has no other consigned processing business with non-related parties. The payment term was 30 days from the end of the month when invoice is issued.

2) Consigned purchases and transaction of property

Related Party Category/Name	For the Year Ended December 31 2019	2018
Subsidiaries		
Thinking Yichang	$ 1,224	$ 357

The gains of consigned purchases with subsidiaries were $61 thousand and $17 thousand for the years ended December 31, 2019 and 2018, respectively, which were recognized as the deduction of investments accounted for using the equity method.

The amounts of unrealized gain on consigned purchases and transaction of property with subsidiaries were $18 thousand and $82 thousand as of December 31, 2019 and 2018, respectively, which were recognized as the deduction of investments accounted for using the equity method. The unrealized gain will be amortized into gain from disposal of property, plant and equipment or other income within the following 5 to 10 years.

3) Loan to related parties - 2018

Account	Related Party Category/Name	For the Year Ended December 31, 2018
Other receivable - related parties	Subsidiaries Dongguan Welkin	$ 44,862
Interest income	Subsidiaries Dongguan Welkin	$ 1,512

Refer to Table 1 for the Company financing provided to others.

The nature of loan to related parties was unsecured short-term loan with the annual interest rate of 5% for the year ended December 31, 2019.

4) Lease arrangements

Line Item	Related Party Category /Name	For the Year Ended December 31 2019	2018
Lease expense	Related Party in Substance	$ 480	$ 480

The lease contract between the Company and related party in substance is based on the market rental agreement under general payment terms.

d. Closing balance

	For the Year Ended December 31 2019	2018
Accounts receivable - related parties		
Subsidiaries		
Thinking Changzhou	$ 176,054	$ 113,561

(Continued)

	For the Year Ended December 31	
	2019	2018
Thinking Yichang	$ 8,831	$ 10,925
	$ 184,558	$ 124,468
Other receivables - related parties		
Subsidiaries		
Dongguan Welkin	$ -	$ 44,862
Thinking Yichang	426	-
Other	-	378
	$ 426	$ 45,240
Accounts payable - related parties		
Subsidiaries		
Thinking Changzhou	$ 264,050	$ 296,112
Jiangxi Thinking	62,031	98,193
Thinking Yichang	24,985	74,764
	$ 351,066	$ 469,069
Other payables - related parties		
Subsidiaries		
Dongguan Welkin	$ 293,345	$ 301,620
Thinking Changzhou	26	13
Related party in substance		
Other	38	181
	$ 293,409	$ 301,814

(Concluded)

The nature of other payable - related parties (Dongguan Welkin) was processing expense.

e. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	$ 67,433	$ 67,240
Post-employment benefits	1,133	1,186
	$ 68,566	$ 68,426

The remuneration of directors and other members of key management is determined by the remuneration committee based on the performance of individuals and market trends.

28. ASSETS PLEDGED AS COLLATERAL FOR SECURITY - ONLY FOR DECEMBER 31, 2019

The Company provided the following assets as collateral for deposits of construction contract:

	Amount
Pledged deposits (classified as financial assets)	$ 28,800

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Company's unrecognized commitments due to the plants under construction and equipment were as follows:

	December 31	
	2019	2018
Acquisition of property, plant and equipment	$ 15,367	$ 9,370

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currencies (In Thousand)	Exchange Rate		Carrying Amounts (In Thousand)
December 31, 2019				
Financial assets				
Monetary items				
USD	$ 35,384	30.0200	(USD:NTD)	$ 1,062,218
RMB	114,153	4.3006	(RMB:NTD)	490,922
Non-monetary items				
Investment accounted for using the equity method				
USD	119,600	30.0200	(USD:NTD)	3,590,400
RMB	384,358	4.3006	(RMB:NTD)	1,652,969
Financial liabilities				
Monetary items				
USD	9,515	30.0200	(USD:NTD)	286,359
RMB	90,128	4.3006	(RMB:NTD)	394,825
December 31, 2018				
Financial assets				
Monetary items				
USD	39,759	30.7900	(USD:NTD)	1,224,177
RMB	83,904	4.4862	(RMB:NTD)	376,411

(Continued)

	Foreign Currencies (In Thousand)	Exchange Rate		Carrying Amounts (In Thousand)
Non-monetary items				
Investments accounted for using the equity method				
USD	$ 105,061	30.7900	(USD:NTD)	$ 3,234,818
RMB	341,296	4.4862	(RMB:NTD)	1,531,123
Financial liabilities				
Monetary items				
USD	12,529	30.7900	(USD:NTD)	385,776
RMB	93,782	4.4862	(RMB:NTD)	420,276

(Concluded)

The significant unrealized foreign exchange losses were as follows:

Foreign Currency	Exchange Rate		Net Foreign Exchange Losses
December 31, 2019			
USD	30.0200	(USD:NTD)	$ 17,241
RMB	4.3006	(RMB:NTD)	410
			$ 17,651
December 31, 2018			
USD	30.7900	(USD:NTD)	$ 544
RMB	4.4862	(RMB:NTD)	1,620
			$ 2,164

31. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees

1) Financing provided to others: Table 1.

2) Endorsement/guarantee provided: None.

3) Marketable securities held (excluding investment in subsidiaries): Table 2.

4) Marketable securities acquired and disposed at cost or price at least NT$300 million or 20% of the paid-in capital: Table 3.

5) Acquisition of individual real estate at cost of at least NT$300 million or 20% of the paid-in capital: None.

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None.

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 4.

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 5.

9) Trading in derivative instruments: None.

10) Information on investees: Table 6.

b. Information on investments in Mainland China

Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China areas: Table 7.

Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:

1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: Table 4.

2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: Table 4.

3) The amount of property transactions and the amount of the resultant gains or losses: Refer to Note 27.

4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: None.

5) The highest balance, the end of year balance, the interest rates range, and total current year interest with respect to financing of funds: Table 1.

6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services: None.

32. SEGMENT INFORMATION

The Company has provided the operating segments disclosure in the consolidated financial statements, and the parent company only segment information would not disclose such information.

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Year	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 2)	Aggregate Financing Limit (Note 2)	Note
													Item	Value			
0	The Company	Dongguan Welkin	Other receivables - related parties	Y	$ 68,783 (RMB 15,000 thousand)	$ -	$ -	5	Note 1	$ -	Operating capital	$ -	-	$ -	$ 1,911,418	$ 2,548,557	

Note 1: Short-term financing.

Note 2: The total amounts of financing provided should not exceed 40% of the stockholders' equity of the Company and financing should not exceed 20% of the stockholders' equity of the Company. For foreign companies of which the Company holds, directly and indirectly 100% of the voting share, the financing provided to any single entity shall not exceed 100% of the Company's net equity worth.

TABLE 2

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
The Company	Stock							
	ACPA TECHNOLOGY CO., LTD.	-	Financial assets at FVTOCI - non-current	2,469,130	$ 26,918	10.67	$ 26,918	
Thinking Changzhou	RMB financial products							
	Principal non-guaranteed structured deposits with floating yields - Industrial and Commercial Bank of China	-	Financial assets at FVTOCI - current	-	RMB39,650 thousand	-	RMB39,650 thousand	
	Principal non-guaranteed structured deposits with floating yields - China Construction Bank	-	Financial assets at FVTOCI - current	-	RMB55,000 thousand	-	RMB55,000 thousand	
	Principal non-guaranteed structured deposits with floating yields - Bank of Communications	-	Financial assets at FVTOCI - current	-	RMB 500 thousand	-	RMB 500 thousand	
	Principal non-guaranteed structured deposits with floating yields - Bank of China	-	Financial assets at FVTOCI - current	-	RMB53,500 thousand	-	RMB53,500 thousand	
	Principal non-guaranteed structured deposits with floating yields - Fubon Bank (China)	-	Financial assets at FVTOCI - current	-	RMB20,000 thousand	-	RMB20,000 thousand	
Thinking Yichang	RMB financial products							
	Principal guaranteed structured deposits with floating yields - Hubei Bank	-	Financial assets at FVTOCI - current	-	RMB23,000 thousand	-	RMB23,000 thousand	
	Principal guaranteed structured deposits with floating yields - Industrial and Commercial Bank of China	-	Financial assets at FVTOCI - current	-	RMB 5,000 thousand	-	RMB 5,000 thousand	
Jiangxi Thinking	RMB financial products							
	Principal non-guaranteed structured deposits with floating yields - China Merchants Bank	-	Financial assets at FVTOCI - current	-	RMB25,710 thousand	-	RMB25,710 thousand	
Guangdong Welkin Thinking	RMB financial products							
	Principal non-guaranteed structured deposits with floating yields - China Merchants Bank	-	Financial assets at FVTOCI - current	-	RMB35,000 thousand	-	RMB35,000 thousand	
Dongguan Welkin	RMB financial products							
	Principal guaranteed structured deposits with floating yields - China Merchants Bank	-	Financial assets at FVTOCI - current	-	RMB29,700 thousand	-	RMB29,700 thousand	
	Principal guaranteed structured deposits with floating yields - E. Sun Commercial Bank	-	Financial assets at FVTOCI - current	-	RMB 1,000 thousand	-	RMB 1,000 thousand	

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance (Note)	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount
Thinking Changzhou	RMB financial products Principal non-guaranteed structured deposits with floating yields	Financial assets at FVTOCI - current	China Construction Bank		-	$ -	-	RMB160,000 thousand	-	RMB106,979 thousand	RMB105,000 thousand	RMB 1,979 thousand	-	RMB55,000 thousand
Thinking Changzhou	RMB financial products Principal non-guaranteed structured deposits with floating yields	Financial assets at FVTOCI - current	Industrial and Commercial Bank of China		-	RMB36,000 thousand	-	RMB319,250 thousand	-	RMB344,673 thousand	RMB343,600 thousand	RMB 1,073 thousand	-	RMB11,650 thousand
Thinking Changzhou	RMB financial products Principal non-guaranteed structured deposits with floating yields	Financial assets at FVTOCI - current	Industrial and Commercial Bank of China		-	RMB18,400 thousand	-	RMB 75,000 thousand	-	RMB 94,322 thousand	RMB 93,400 thousand	RMB 922 thousand	-	$ -
Thinking Changzhou	RMB financial products Principal non-guaranteed structured deposits with floating yields	Financial assets at FVTOCI - current	Bank of China		-	$ -	-	RMB 84,500 thousand	-	RMB 81,049 thousand	RMB 81,000 thousand	RMB 49 thousand	-	RMB 3,500 thousand
Jiangxi Thinking	RMB financial products Principal non-guaranteed structured deposits with floating yields	Financial assets at FVTOCI - current	China Merchants Bank		-	RMB 4,500 thousand	-	RMB 63,700 thousand	-	RMB 48,031 thousand	RMB 47,700 thousand	RMB 331 thousand	-	RMB20,500 thousand
Jiangxi Thinking	RMB financial products Principal non-guaranteed structured deposits with floating yields	Financial assets at FVTOCI - current	China Merchants Bank		-	RMB 3,520 thousand	-	RMB 84,830 thousand	-	RMB 83,269 thousand	RMB 83,140 thousand	RMB 129 thousand	-	RMB 5,210 thousand
Guangdong Welkin Thinking	RMB financial products Principal guaranteed structured deposits with floating yields	Financial assets at FVTOCI - current	China Merchants Bank		-	RMB15,000 thousand	-	RMB 60,000 thousand	-	RMB 40,719 thousand	RMB 40,000 thousand	RMB 719 thousand	-	RMB35,000 thousand

TABLE 4

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Receivable) Payable		Note
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance	% to Total	
The Company	Thinking Changzhou	Subsidiary	Purchases	$ 821,814	44	90 days from the end of the month	$ -	-	$ (264,050)	(29)	
	Thinking Changzhou	Subsidiary	Sales	(299,024)	(10)	90 days from the end of the month	-	-	176,054	18	
	Thinking Yichang	Subsidiary	Purchases	151,188	8	90 days from the end of the month	-	-	(24,985)	(3)	
	Jiangxi Thinking	Subsidiary	Purchases	240,406	13	90 days from the end of the month	-	-	(62,031)	(7)	
	Dongguan Welkin	Subsidiary	Processing	443,804	24	From the end of the month when invoice is issued by T/T	-	-	(293,345)	(32)	
Thinking Changzhou	Jiangxi Thinking	Associate	Sales	(152,686)	(6)	90 days from the end of the month	-	-	61,868	6	
	Guangdong Welkin Thinking	Associate	Sales	(200,400)	(8)	days from the end of the month	-	-	70,925	7	
Thinking Yichang	Thinking Changzhou	Associate	Sales	(118,503)	(12)	90 days from the end of the month	-	-	49,787	14	
	Guangdong Welkin Thinking	Associate	Sales	(430,504)	(44)	90 days from the end of the month	-	-	133,749	39	
Guangdong Welkin Thinking	Dongguan Welkin	Associate	Processing	240,894	37	90 days from the end of the month	-	-	54,648	52	
Jiangxi Thinking	Thinking Yichang	Associate	Sales	160,369	32	90 days from the end of the month	-	-	52,457	34	

TABLE 5

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Year	Allowance for Doubtful Accounts
					Amount	Actions Taken		
The Company	Thinking Changzhou	Subsidiary	$ 176,054	2.07	$ -	-	$ 33,138	$ -
Thinking Changzhou	The Company	Parent company	264,050	2.93	-	-	138,799	-
Thinking Yichang	Guangdong Welkin Thinking	Associate	133,749	3.16	-	-	46,389	-
Dongguan Welkin	The Company	Parent company	293,345	2.33	-	-	78,947	-

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Share of profit (Loss)	Note
				December 31, 2019	December 31, 2018	Shares/ Units	Percentage of ownership (%)	Carrying Amount			
The Company	Yenyo	Yilan	Processing, sales and manufacturing of diodes	$ 275,160	$ 275,160	21,232,508	52.61	$ 154,377	$ (1,562)	$ (806)	Note 1
	Greenish	British Virgin Island	Investment holding and international trading	242,300 (US$ 7,375 thousand)	242,300 (US$ 7,375 thousand)	7,374,997	100.00	1,742,627	162,782	187,712	Note 1
	Welljet	Belize	Investment holding and international trading	-	-	-	-	-	1,355	1,263	Note 2
	Saint East	Samoa	Investment holding and international trading	-	43,190 (US$ 1,350 thousand)	-	-	-	(417)	(1,203)	Note 3
	Thinking Holding	Cayman	Investment holding and international trading	770,212 (US$ 24,729 thousand)	770,212 (US$ 24,729 thousand)	24,728,858	100.00	1,847,773	323,456	325,294	Note 1
Subsidiary Greenish	Welljet	Belize	Investment holding and international trading	-	-	-	-	-	-	-	Note 2
Thinking Holding	Thinking International	Mauritius	Investment holding and international trading	195,017 (US$ 6,025 thousand)	195,017 (US$ 6,025 thousand)	6,025,000	100.00	783,966	185,110	185,110	
	Thinking (HK)	Hong Kong	Investment holding and international trading	311,109 (US$ 10,020 thousand)	311,109 (US$ 10,020 thousand)	10,020,000	100.00	531,165	50,682	50,682	
	View Full (Samoa)	Samoa	Investment holding and international trading	155,108 (US$ 5,055 thousand)	153,572 (US$ 5,005 thousand)	5,055,000	100.00	429,318	78,006	78,006	
	Thinking Samoa	Samoa	Investment holding and international trading	76,294 (US$ 2,599 thousand)	107,632 (US$ 3,599 thousand)	2,598,858	100.00	113,960	10,165	10,165	

Note 1: The share of profits or losses of investee includes the effect of unrealized gross profit on intercompany transaction.

Note 2: Welljet had finished process of liquidation in October. The difference between Welljet's net income and the amount recognized by the Company in investment loss was exchange difference on translation of foreign financial statements which had been reclassified into comprehensive losses.

Note 3: SaintEast had finished process of liquidation in September. The difference between SainEast's net income and the amount recognized by the Company in investment loss was exchange difference on translation of foreign statements which had been reclassified into comprehensive losses.

Note 4: Information of investees which located in mainland China, refer to Table 7.

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income (Loss)of the Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of profits/losses (Note 6)	Carrying Amount as of December 31, 2019 (Note 6)	Accumulated Repatriation of Investment Income as of December 31, 2019	Note
					Outflow	Inflow							
Thinking Changzhou	Manufacturing and selling thermistors, varistors and sensors	US$ 21,260 thousand	Note 1	$ 452,725	$ -	$ -	$ 452,725	$ 342,100	100	$ 389,491	$ 3,333,831	$ 739,210 (US$ 24,148)	Notes 9
Thinking Yichang	Manufacturing and selling thermistors, varistors and sensors	US$ 6,000 thousand	Note 2	194,170	-	-	194,170	185,183	100	185,183	783,729	-	
Jiangxi Thinking	Manufacturing and selling thermistors, varistors and sensors	US$ 10,000 thousand	Note 3	310,330	-	-	310,330	50,712	100	50,712	530,844	-	
Guangdong Welkin Thinking	Manufacturing and selling thermistors, varistors and sensors	US$ 5,000 thousand	Note 4	153,547	-	-	153,547	78,054	100	78,054	427,825	-	
Dongguan Welkin	Manufacturing and processing thermistors, varistors, sensors and equipment	RMB 35,013 thousand	Note 5	75,535	-	-	75,535	37,863	100	37,863	473,695	-	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 2)
$1,186,307 (US$37,209 thousand)	$840,470 (US$27,997 thousand) (Note 7)	$3,822,836 (Note 8)

Note 1: Indirectly investment in mainland China through Greenish which was registered in the third area. The Company increased the amount of indirect investments in mainland China through Greenish since 2003.

Note 2: Indirectly investment in mainland China through companies registered in the third area (Thinking International).

Note 3: Indirectly investment in mainland China through companies registered in the third area (Thinking HK).

Note 4: Indirectly investment in mainland China through companies registered in the third area (View Full Samoa).

Note 5: Indirectly investment in mainland China through companies registered in the third area (Thinking Samoa).

Note 6: Financial report had been audited by ultimate parent company's certified public accountant.

Note 7: Indirectly investment in mainland China through companies registered in the third area. The investment amount approved by MOEA was US$39,478 thousand. The remaining amount had deducted earnings repatriation which was approximately US$11,481 thousand. The balance amount at December 31, 2019 was based on US to TWD exchange rate of 30.02.

Note 8: The investment amounts authorized by Investment Commission were calculated as follows:

$6,371,393x60%＝$3,822,836

Note 9: The Company recognized share of profits of Thinking Changzhou was $184,591 thousand, and Greenish recognized share of profits of Thinking Changzhou was $204,900 thousand. Total amount of share of profits was $389,491 thousand. The difference between total amount of share of profits and the net income of Thinking Changzhou resulted from unrealized gross profit on intercompany transactions.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

STATEMENT 1

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Description	Amount
Petty cash and cash on hand		$ 573
Bank deposit		
Deposit of NTD		
Checking accounts		75
Demand deposits		180,139
Foreign currency deposits		
Demand deposits	Including USD11,091 thousand, HKD1,458 thousand, JPY23 thousand, EUR186 thousand and RMB162 thousand (Note)	345,513
Cash equivalents		
Time deposits with original maturities less than 3 months		
Deposit of NTD		-
Foreign currency deposits	Including RMB75,524 thousand with annual interest rate of 3.00%-3.30%. The expiry date of foreign currency deposits is March 2020.	324,795
		$ 851,095

Note: Foreign currency exchange rates of USD, HKD, JPY, EUR and RMB were as follows USD1=NTD30.02, HKD1=NTD3.855, JPY1=NTD0.275, EUR1=NTD33.62 and RMB1=NTD4.3006.

STATEMENT 2

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF NOTES RECEIVABLE
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount
Company A	Sale of goods	$ 757
Company B	Sale of goods	711
Company C	Sale of goods	663
Company D	Sale of goods	401
Company E	Sale of goods	360
Company F	Sale of goods	315
Others (Note)	Sale of goods	1,759
		$ 4,966

Note: The amount of individual client included in others does not exceed 5% of the account balance.

STATEMENT 3

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Client Name	Amount	Over a Year	Remark
Related parties			
Thinking Changzhou	$ 176,054	$ -	Sale of goods
Thinking Yichang	8,831	-	Sale of goods
	184,885		
Non-related parties			
Company G	70,463	-	Sale of goods
Others (Note)	725,910	13,871	Sale of goods
	796,373		
		$ 13,871	
Less: Allowance for impairment loss	16,934		
	779,439		
	$ 964,324		

Note: The amount of individual client included in others does not exceed 5% of the account balance.

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF OTHER RECEIVABLES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount	Remark
Related parties		
Thinking Yichang	$ 426	Transaction of consigned purchases
Non-related parties		
Income tax refund receivable	2,389	Business tax
Earned revenue receivable	599	
Others	11	
	2,999	
	$ 3,425	

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF INVENTORIES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Cost	Net Realizable Value (Note)
Merchandise	$ 702	$ 1,111
Finished goods	194,938	328,345
Work-in-process	69,105	156,258
Raw materials	45,582	46,165
Supplies	2,821	2,823
Inventory in transit	8,113	8,113
	$ 321,261	$ 542,815

Note: Refer to Note 4 for accounting policy of net realizable value.

STATEMENT 6

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF OTHER CURRENT ASSETS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
Prepayment for purchases	$ 26,209
Prepaid expenses	2,924
Office supplies	1,766
Others	1,998
	$ 32,897

STATEMENT 7

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Balance, January 1, 2019		Additions in Investment		Decrease in Investment		Balance, December 31, 2019			Market Value or Net Assets Value			
Investees	Shares	Amount	Shares	Amount	Shares	Amount	Shares	% of Ownership	Amount	Unit Price	Total Amount	Collateral	Remark
Non-listed company													
Yenyo	21,232,508	$ 154,748	-	$ -	-	$ 371	21,232,508	52.61	$ 154,377	$ 7.51	$ 159,484	None	
Greenish	7,374,997	1,622,211	-	120,416	-	-	7,374,997	100.00	1,742,627	239.89	1,742,627	None	
Welljet	-	2,531	-	-	-	2,531	-	-	-	-	-	None	Note 3
Thinking Chanzhou	10,075,514	1,531,123	-	121,846	-	-	10,075,514	47.39	1,652,969	-	1,652,969	None	
Saint East	1,350,000	9,397	-	-	1,350,000	9,397	-	-	-	-	-	None	Note 4
Thinking Holding	24,728,858	1,600,679	-	247,094	-	-	24,728,858	100.00	1,847,773	76.33	1,887,499	None	
		$ 4,920,689		$ 489,356 (Note 1)		$ 12,299 (Note 2)			$ 5,397,746		$ 5,442,579		

Note 1: Share of profits using the equity method, realized gain on transactions in the beginning of year, deduction of unrealized gain on transactions exchange differences on translating the financial statements of foreign operations and unrealized gain on transactions at the end of the year amounted to $697,597 thousand, $17,553 thousand, $222,001 thousand, and $3,793 thousand.

Note 2: Share of losses accounted for using the equity method, deduction of exchange differences on translating the financial statements of foreign operations, decrease in investment from disposal of subsidiaries and deduction of remeasurements of net defined benefit obligation amounted to $745 thousand, $1,041 thousand, $13,030 thousand and $435 thousand.

Note 3: Finished liquidation in October 2019.

Note 4: Finished liquidation in September 2019.

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Balance, January 1, 2019		Additions in Investment		Decrease in Investment		Market Value or Net Assets Value			
Investees	Shares	Fair Value	Shares	Amount	Shares	Amount (Note 1)	Shares	Fair Value (Note 2)	Accumulated Impairment	Collateral
Non-listed company's stock										
ACPA TECHNOLOGY CO., LTD.	2,469,130	$ 27,178	-	$ -	-	$ 260	2,469,130	$ 26,918	$ -	NA

Note 1: Recognized as unrealized other comprehensive loss of financial assets at fair value.

Note 2: Refer to Note 26 for fair value measurement.

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

	Balance at January 1, 2019	Additions	Balance at December 31 ,2019
Cost			
Land	$ 28,711	$ 31,199	$ 59,910
Accumulated depreciation			
Land	-	(1,559)	(1,559)
	$ 28,711	$ 29,640	$ 58,351

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STATEMENT 10

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Type of Borrowings and Bank Name	Contract Period	Interest Notes Applied (%)	Balance of December 31, 2019
Credit borrowings			
Hua Nan Bank	2019.12.20-2020.01.20	0.9	$ 100,000

Note: At the end of December 31, 2019, the amount of unused short-term borrowings was approximately $2,256,000 thousand.

STATEMENT 11

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Related parties	
Thinking Changzhou	$ 264,050
Jiangxi Thinking	62,031
Thinking Yichang	24,985
	351,066
Non-related parties	
Company H	13,250
Company I	5,651
Company J	3,999
Company K	3,632
Company L	3,309
Others (Note)	27,438
	57,279
	$ 408,345

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

STATEMENT 12

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF OTHER CURRENT LIABILITIES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
Temporary receipts	$ 341
Receipts under custody	1,639
	$ 1,980

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF LEASE LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Lease Term	Discount Rate (%)	Balance of December 31, 2019
Land	2016.06-2029.10	0.75-1.38	$ 58,521
Less: Lease liabilities - current			1,525
Lease liabilities - non-current			$ 56,996

STATEMENT 14

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF OPERATING REVENUES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

Item	Shipments (Thousand PCS)	Amount
Revenue from sale of goods		
Passive components	5,142,375	$ 3,137,670
Service revenue		178
		$ 3,137,848

TATEMENT 15

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF OPERATING COSTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

Item	Amount
Cost of merchandise	
Merchandise, beginning of year	$ 1,866
Merchandise purchased	21,066
Merchandise, end of year	(702)
Others	581
Total cost of merchandise	22,811
Production cost	
Raw material used	
Raw material, beginning of year	60,891
Raw material purchased	190,346
Raw material, end of year	(45,582)
Others	277
	205,932
Supplies used	13,807
Direct labor	99,614
Manufacturing expense	641,164
Manufacturing cost	960,517
Work-in-process, beginning of year	88,583
Work-in-process purchased	284,328
Work-in-process, end of year	(69,105)
Others	(4,125)
Cost of finish goods	1,260,198
Finish goods, beginning of year	248,177
Finish goods purchased	907,683
Finish goods, end of year	(194,938)
Others	(150,312)
Total of production cost	2,070,808
Other operating cost	
Reversal of inventory write-downs	(10,201)
Income from sale of scraps	(2,583)
Loss on obsolete inventory	25,123
Others	(20,901)
	(8,562)
	$ 2,085,057

TATEMENT 16

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Salaries	$ 39,361	$ 95,245	$ 57,614	$ 192,220
Export expense	24,333	-	-	24,333
Professional service fees	3,758	7,214	2,239	13,211
Commission expense	5,543	-	-	5,543
Depreciation expense	651	4,858	10,001	15,510
Utilities expense	94	539	2,800	3,433
Remuneration of directors	-	17,900	-	17,900
Consumption supplies	-	41	10,471	10,512
Others	30,334	29,705	19,967	80,006
	$ 104,074	$ 155,502	$ 103,092	362,668
Expected credit loss				427
				$ 363,095

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31					
	2019			2018		
	Operating Costs	Operating expenses	Total	Operating Costs	Operating expenses	Total
Employee benefits						
Salaries	$ 124,617	$ 192,220	$ 316,837	$ 116,670	$ 176,010	$ 292,680
Labor and health insurance	11,743	14,362	26,105	7,706	12,892	20,598
Pension	5,919	6,562	12,481	5,660	6,005	11,665
Remuneration of directors	-	17,900	17,900	-	16,200	16,200
Others	10,275	8,622	18,897	13,335	8,311	21,646
	$ 152,554	$ 239,666	$ 392,220	$ 143,371	$ 219,418	$ 362,789
Depreciation	$ 48,610	$ 15,510	$ 64,120	$ 40,852	$ 14,565	$ 55,417
Amortization	1,566	5,143	6,709	957	1,517	2,474

Note :

a. For the years ended December 31, 2019 and 2018, the average number of employees amounted to 437 and 411, respectively. Among them, 5 directors did not serve as employees.

b. The average employee benefits for the years ended December 31, 2019 and 2018 were $866 thousand and $854 thousand, respectively.

c. The average employee salaries for the years ended December 31, 2019 and 2018 were $733 thousand and $721 thousand, respectively.

d. The change in the average employee salaries was 1.7%.